52

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# THE Livestock and Meat SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

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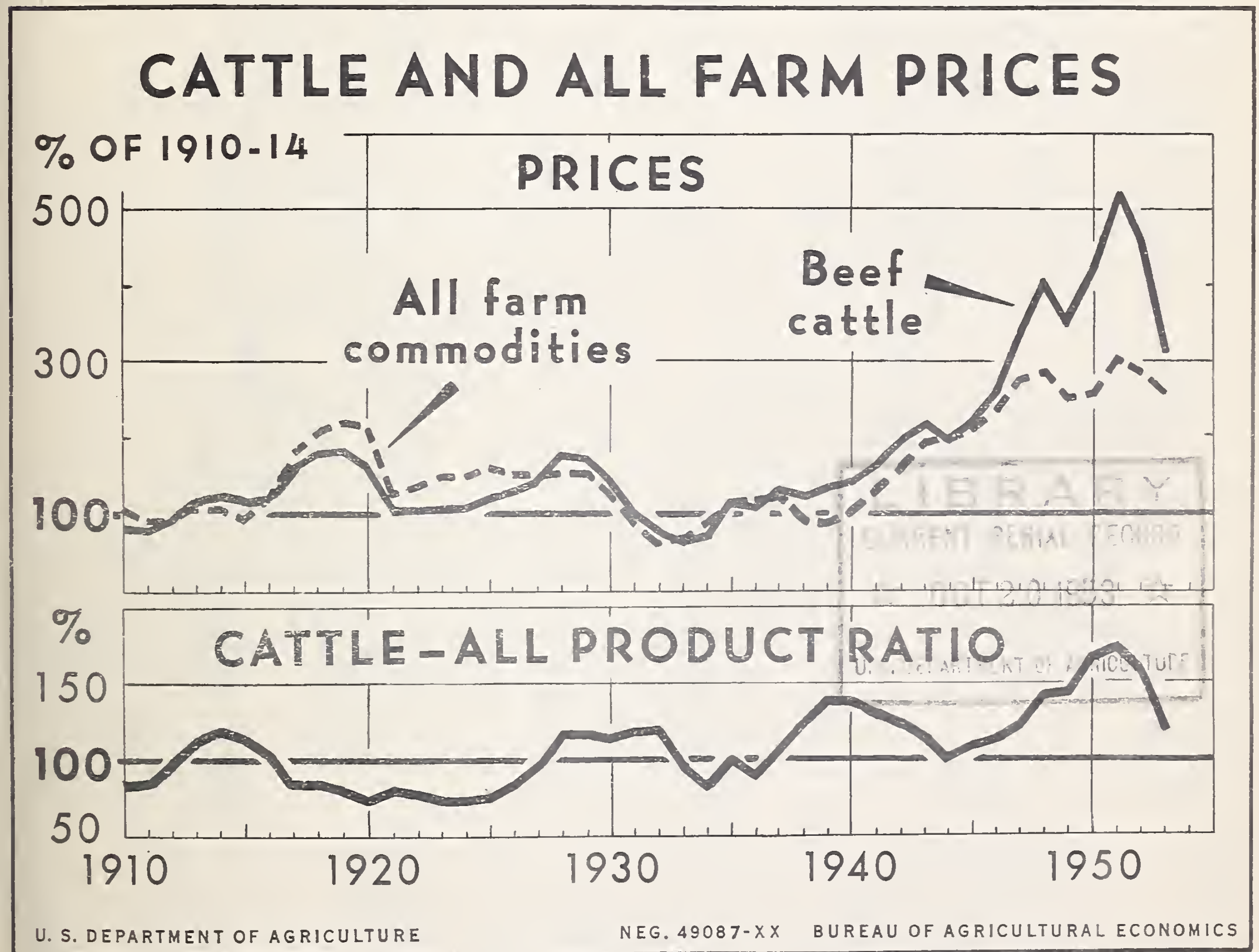


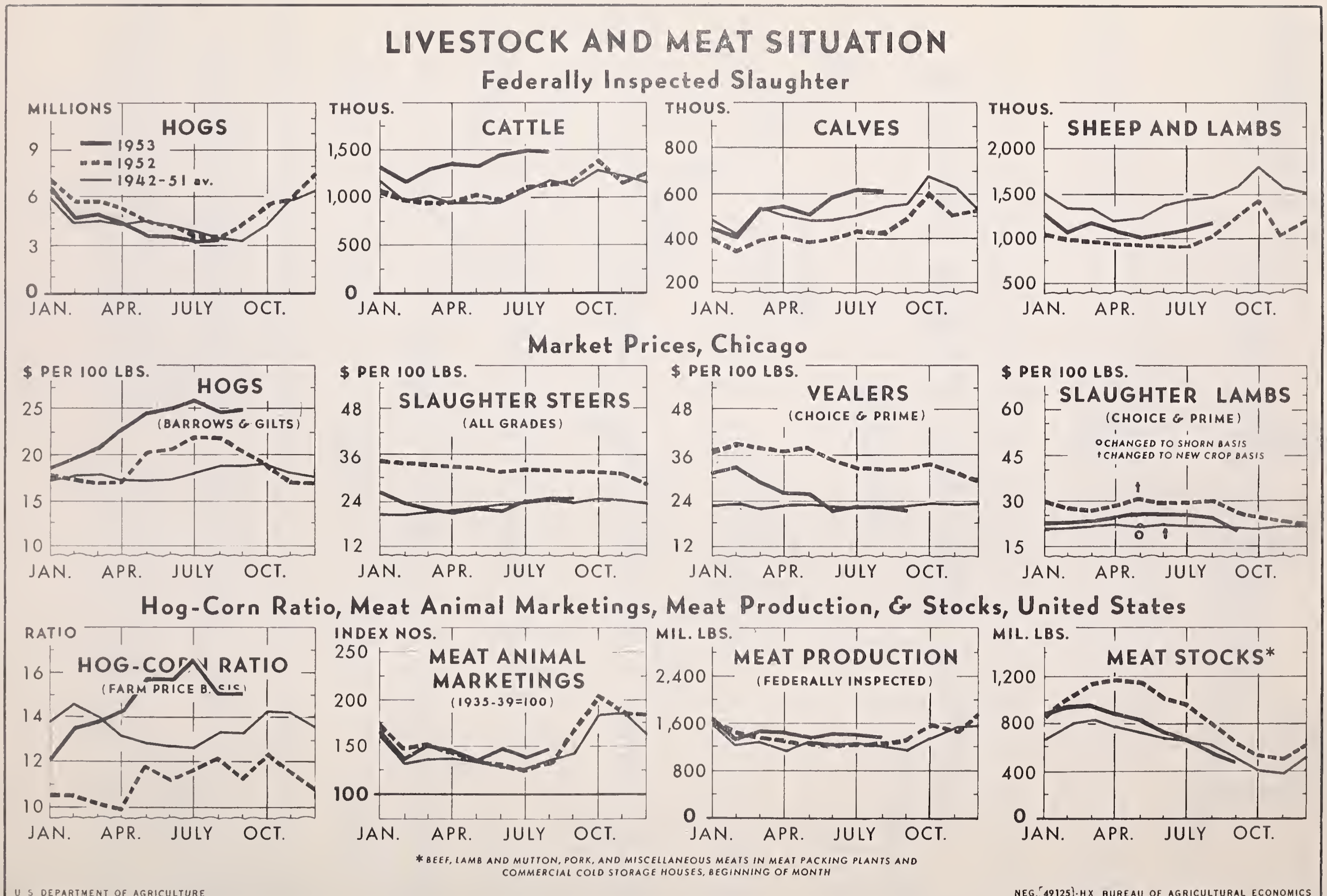



Prices of cattle in 1953 are much below their 1951 high and the lowest since 1946, and are a little below an average or normal relationship with prices of all farm products.

For 15 years cattle prices were favorable relative to all farm prices. They are still above all prices as compared on a 1910-14 base. However, the cattle-all product ratio has trended upward over time and present cattle prices are somewhat below a normal relationship for this year.

Prices are depressed most for the lower grades of cattle.

Prices of cattle are expected to show more stability in 1954 but they will remain lower relative to other farm prices than in a number of years.


LIVESTOCK AND MEAT SITUATION
Federally Inspected Slaughter
MILLIONS
HOGS
1953
1952
1942-51 av.
THOUS.
CATTLE
THOUS.
CALVES
THOUS.
SHEEP AND LAMBS
Market Prices, Chicago
$ PER 100 LBS.
HOGS
(BARROWS & GILTS)
$ PER 100 LBS.
SLAUGHTER STEERS
(ALL GRADES)
$ PER 100 LBS.
VEALERS
(CHOICE & PRIME)
$ PER 100 LBS.
SLAUGHTER LAMBS
(CHOICE & PRIME)
o CHANGED TO SHORN BASIS
† CHANGED TO NEW CROP BASIS
Hog-Corn Ratio, Meat Animal Marketings, Meat Production, & Stocks, United States
RATIO
HOG-CORN RATIO
(FARM PRICE BASIS)
INDEX NOS.
MEAT ANIMAL MARKETINGS
(1935-39=100)
MIL. LBS.
MEAT PRODUCTION
(FEDERALLY INSPECTED)
MIL. LBS.
MEAT STOCKS*
JAN. APR. JULY OCT.
* BEEF, LAMB AND MUTTON, PORK, AND MISCELLANEOUS MEATS IN MEAT PACKING PLANTS AND COMMERCIAL COLD STORAGE HOUSES, BEGINNING OF MONTH
U S DEPARTMENT OF AGRICULTURE
NEG. 49125-HX BUREAU OF AGRICULTURAL ECONOMICS

# THE LIVESTOCK AND MEAT SITUATION

Approved by the Outlook and Situation Board, October 12, 1953

## SUMMARY

A continued large slaughter but more price stability for cattle is in prospect for 1954. Hog production will increase next year with some lowering of prices in the fall as hogs from the larger spring pig crop begin to move to market.

After 4 years of expansion the upswing in cattle production has been halted. Cattle and calf slaughter for 1953 will total around 36 million head, roughly equal to the number of calves raised less death losses, and the cattle inventory next January will likely be little different from last January. The slaughter rate will continue high in 1954, but average slaughter weights will probably be a bit lighter. Total beef production may be a little smaller than in 1953. Beef consumption per person, which rose from 55 pounds in 1951 to a record 75 pounds in 1953, may drop slightly in 1954 but will stay above 70 pounds. Demand for meat is expected to continue strong and more stability in cattle prices is likely next year than in 1953. The persistent declines of 1952-53 appear to be ended, and prices in 1954 are not expected to average lower than in 1953. However, they will not regain their levels of a year or two ago.

The supply of fed beef next year, especially in the first half, is likely to be smaller than in 1953 but the supply of grass beef will be as large as this year. Fewer cattle are going on feed this fall than last, and a smaller winter-spring output of fed beef than this past year is in prospect. Prices of fed cattle may be higher next year than the low points of this year, profits from feeding average or better, and price spreads between the higher and lower grades of cattle again rather wide.

Numbers of cattle on farms seem likely to remain at about their present level for another year or more. However, today's large cattle inventory is more sensitive to any highly unfavorable conditions than a smaller inventory would be. A widespread severe drought or a weaker demand than now seems likely would of course result in a larger slaughter and lower prices than are now in view, and cattle numbers on farms would be reduced.

The 1953 pig crop, indicated at 84 million, is a 5-year low. Prices of hogs have been higher than in any other years except 1947 and 1948. In response, hog production is probably now turning upward. Although the total fall pig crop of 1953 was indicated by farmers' intentions to be 5 percent smaller than the 1952 fall crop, farrowings in late fall are probably exceeding a year ago. The 1954 spring pig crop is expected to be up 5 percent or more from the 1953 crop. These increased farrowings will show up as a larger hog slaughter around mid-1954. Until then, slaughter and the pork supply will be below even the low levels of 1953. The small supplies in the first half of 1954 are expected to hold pork consumption per person for the year short of the low 63 pounds of 1953. Prices of hogs will continue comparatively high in the first part of 1954 but will probably decline more than usual in the fall, when supplies of pork will be greater than this fall.

A small decrease in inventories of sheep and lambs on January 1, 1954 is in prospect. Output of lamb and mutton will probably be reduced moderately

next year. Prices of both lambs and wool are not likely to change much. Lamb prices may remain slightly above an average relationship to cattle prices. Wool prices will be primarily determined by supports.

A little smaller total meat production than in 1953, assuming cattle marketings are not excessive, is in prospect for 1954. Consumption per person is forecast at 147 pounds compared with 151 in 1953, 144 in 1952, and 136 in 1951. Meat supplies will be relatively less abundant in the first half of the year, more abundant in the second. Less fed beef and less pork will reduce the total supply in the early part.

## OUTLOOK FOR MEAT IN 1954

### Beef Supply to Continue Large

Next year will be another year of large supplies of red meat. It will be a second year in which the proportion of beef is high and the proportion of pork low.

No great changes in total meat production are foreseen. The meat consumption rate is forecast at 147 pounds per person compared with 151 pounds estimated for 1953, 144 pounds in 1952, and 136 pounds in 1951. Consumption in the first part of 1954 will probably be below that at the same time of 1953. Consumption in the second half may equal or exceed the comparable 1953 rate.

These forecasts of probable supplies are based on an assumption that no adverse conditions such as widespread drought or sharply weakened demand for meat will appear. Such circumstances would increase the meat supply due to expanded marketings of cattle.

Production of beef seems likely to remain high in 1954 and for several years to come. The productive capacity of the nation's cattle herd has been built to a high level and it will produce a large annual output of beef. Production in 1954 may fall a little short of 1953 because fewer of the cattle marketed will be of heavy weights. Consumption of beef per person is forecast at 73 pounds, 2 pounds less than the 75 pounds indicated for 1953 but still equal to the highest consumption rate in over 50 years of record except for 1953.

The 1954 total may include a little less fed beef but as much or more grass beef as in 1953. A repetition of the very large winter-spring fed beef supply of 1953 is not likely. However, augmenting the smaller fed beef supply at that season will be very substantial supplies of beef of middle and lower grades. Marketings of cows and steers from range and pasture areas, which produce beef of those grades, may hold up better than usual this winter and be large for the season.

Production of veal will be as large or larger in 1954 than in 1953. A sizable volume of calf marketings and slaughter will mark the next few years of big cattle production. Veal consumption per person in 1954 is forecast at a fraction of a pound above the 9.3 pounds estimated for 1953.

Production of lamb and mutton will probably be reduced somewhat in 1954. Consumption may drop to about 4 pounds per person from the 4.4 pounds in 1953.

Table 1.- Production and consumption per person of red meat and poultry, United States, annual 1947-53 and forecast for 1954

| Year | Red meats: Beef | Red meats: Veal | Red meats: Lamb and mutton | Red meats: Pork excluding lard | Red meats: Total | Poultry meat 1/ | Red and poultry meat |
|---|---|---|---|---|---|---|---|
| | Million pounds | Million pounds | Million pounds | Million pounds | Million pounds | Million pounds | Million pounds |
| | Production 2/ | | | | | | |
| 1947 | 10,432 | 1,605 | 799 | 10,502 | 23,338 | 3,190 | 26,528 |
| 1948 | 9,075 | 1,423 | 747 | 10,055 | 21,300 | 2,984 | 24,284 |
| 1949 | 9,439 | 1,334 | 603 | 10,286 | 21,662 | 3,561 | 25,223 |
| 1950 | 9,538 | 1,230 | 597 | 10,714 | 22,079 | 3,782 | 25,861 |
| 1951 | 8,843 | 1,061 | 521 | 11,483 | 21,908 | 4,255 | 26,163 |
| 1952 | 9,667 | 1,173 | 648 | 11,547 | 23,035 | 4,399 | 27,434 |
| 1953 3/ | 12,300 | 1,535 | 715 | 10,150 | 24,700 | 4,430 | 29,130 |
| 1954 4/ | 12,000 | 1,600 | 650 | 10,000 | 24,250 | 4,550 | 28,800 |
| | Consumption per person | | | | | | |
| | Pounds | Pounds | Pounds | Pounds | Pounds | Pounds | Pounds |
| 1947 | 68.6 | 10.7 | 5.2 | 68.6 | 153.1 | 21.4 | 174.5 |
| 1948 | 62.2 | 9.4 | 5.0 | 66.8 | 143.4 | 20.4 | 163.8 |
| 1949 | 63.0 | 8.8 | 4.0 | 66.8 | 142.6 | 22.6 | 165.2 |
| 1950 | 62.5 | 7.9 | 3.9 | 68.1 | 142.4 | 24.0 | 166.4 |
| 1951 | 55.2 | 6.6 | 3.4 | 70.6 | 135.8 | 26.5 | 162.3 |
| 1952 | 61.2 | 7.1 | 4.1 | 71.6 | 144.0 | 27.4 | 171.4 |
| 1953 3/ | 75 | 9.3 | 4.4 | 63 | 151 | 26.9 | 178 |
| 1954 4/ | 73 | 9.7 | 4.0 | 60 | 147 | 27.2 | 174 |

1/ Chicken, including commercial broilers, and turkey, ready-to-cook basis.
2/ Production of red meats is carcass weight equivalent of production from total United States slaughter. 3/ Partly forecast. 4/ Forecast.
Note: Production and consumption of poultry meat on a ready-to-cook (eviscerated) basis is comparable to carcass weight basis used for red meats and differs from data on a New York dressed basis used in the 1953 Outlook Charts and prior issues of this Situation.

The supply of pork will be small until the fall of 1954. In the first part of the year it is expected to be below the small supply of the same time in 1953. Sometime around mid-year it will rise to the 1953 level. By the time hog marketings expand seasonally next fall, pork will be more plentiful than at the same time in 1953. But for 1954 as a whole, pork consumption per person is forecast at scarcely 60 pounds, 3 pounds less than in 1953, 12 pounds less than in 1952, and the smallest rate since 1938.

## No Great Overall Changes Likely in Meat Prices

In 1953 prices of beef, veal and lamb decreased and prices of pork increased. In the first 8 months Choice beef averaged 23 percent and lamb about 15 percent lower at retail than a year before and pork 10 percent higher. The movements largely reflected changes in supplies of these meats. They also demonstrated that beef and pork are only partially competitive, each having a sizable independent demand.

As supplies are not expected to change greatly, prices of meat may average generally about the same in 1954 as in 1953. Any marked movements up or down would come about in response to changes in consumers' disposable incomes and demand for meat. The present outlook is for incomes to be about the same as in 1953. This would indicate a well sustained demand for meat.

While this is the general outlook for meat prices in 1954, differences will occur between meats and between seasons. The price of beef will again average lower than it did in the last few years prior to 1953, and pork higher. A wide spread between prices of top and intermediate grades of beef will again prevail in 1954. Merchandising increased quantities of beef from medium and lower grade cattle will continue to be a problem, though progress is being made; and reduced supplies of fed beef will act to lift their prices relative to the lower grades. The likelihood is for prices of pork to be relatively higher early in the year than in the later months when pork supplies will be rising.

## Demand for Meat Steady but Lower Relative to Incomes

According to available estimates, demand for meat has been about as strong in 1953 as in 1952. But since consumers' incomes have increased, demand for meat apparently has been less strong in relation to incomes this year than the last several years. It is quite possible that consumers will not spend quite as high a percentage of their incomes for meat the next few years as in 1949-52.

## Prices of Meat in Relation to Prices of Meat Animals

Prices farmers receive for their livestock are equal to the price of meat (plus return from byproducts) minus the charge or margin received by all slaughtering, processing and distributing agencies. The marketing charge or margin, in dollars and cents per 100 pounds, for Choice beef in 1953 has been about the same as in 1952 but greater than in previous years. The margin for pork in 1953 has tended to be smaller than the last few years.

These changing dollar margins for marketing agencies have meant even greater percentage changes in relationships between prices at the farm and at retail. As prices of beef have been declining, the marketing margins have become a larger part of the retail price of beef and the farmer's share of that price has been reduced. The farmer's share of the consumer's dollar spent for Choice beef fell to 61 cents in January-June 1953 from 70 cents in the same months a year earlier and 74 cents 2 years earlier. However, the midsummer rise in prices of Choice beef and cattle lifted the farmer's share to 66 cents in August.

Prices of pork, on the other hand, have been higher in 1953. Marketing margins have been a smaller part, and the farmer's share a larger part, of the retail pork price this year. The farmer's share of the consumer's pork dollar rose to 67 cents in January-June 1953 from 61 cents in the same months of 1952.

These developments illustrate four basic general tendencies of farm-to-retail price relationships: (1) Marketing charges or margins--the dollar and cents difference between farm and retail prices--generally do not move up or down with changes in prices of meat. Margins are basically a return for the services rendered in marketing, processing, and distribution of livestock and meat. Variations or fluctuations in costs of these services bear little if any direct relation to changes in cattle or other livestock prices. (2) When dollar marketing margins are constant and meat prices decline, the farmer's percentage share drops. When retail meat prices rise, the farmer's share also rises. (3) Insofar as dollar margins make any response at all to changing prices of meat it is a strictly short-run response. Over a short period dollar margins may widen when prices decline, narrow when they rise. This comes about because changes in margins in the short run are influenced less by costs than by supply and demand relations for farm products. For example, when the supply of cattle increased the last 2 years the competitive position of producers was weakened, the market became a "buyers'" market, and marketing margins were wider than in previous years when supplies of cattle were short. The reduced marketings of hogs this year created an opposite situation and margins for pork were narrowed. (4) Lastly, over a period of time marketing margins follow trends in the general level of non-farm prices and costs, expecially wage costs. They probably bear a closer relationship to trends in the consumers' price index than any other single price index.

On September 25 the Secretary of Agriculture ordered a study of margins for beef. A preliminary release on October 10 indicated that dollar margins for Choice grade beef are wider now than several years ago, before Korea, but apparently have not widened further in the last year and a half. Much of the present problem centers around the middle and lower grades of beef--Good and below. Data comparing prices of meat animals and of meat at retail for these grades have not previously been available so that arrangements are being made for actual field studies. In addition, efforts are being made to develop data which will allow an analysis of changes in prices charged by selected groups of restaurants for meat dishes; and of possible discrepancies between prices paid by country dealers and others for cattle as compared with the prices prevailing in the central or stockyards markets in certain areas. Attention is also being given to the margin or differences between prices of canned beef and lower grade cattle.

## Imports of Beef Reduced

Meat imports may be about the same, or slightly smaller, in 1954 than in 1953.

In the first 6 months of 1953, approximately 130 million pounds of beef and 80 million pounds of pork, carcass weight equivalent, were imported. The beef imports were 25 percent below the same 1952 period, but

the pork imports were more than twice as large as a year earlier. For all meats combined the volume of imports was practically unchanged between the two periods.

Imports have gone down for beef and up for pork in response to the changing prices. Imports of beef from Canada have been small even though restrictions due to foot-and-mouth disease were removed on March 1. Canada's own markets have been more attractive to Canadian producers this year than the depressed United States market. On the other hand, rising prices for pork in the United States have induced increased receipts from foreign sources.

In 1954 beef imports will probably stay at their lower 1953 level. Imports of pork will probably be smaller, especially in the latter part of 1954. Imports of meat will remain less than 2 percent of the total meat supply.

## OUTLOOK FOR FEED FOR 1954

### Feed Grains Abundant, Hay Supply Less So and Spotty by Areas

Another big corn crop is being harvested this fall, but the other feed grain crops are below average. Production of all 4 feed grains combined (corn, oats, barley, grain sorghums) is a little smaller than last year but is estimated to be a little larger than total needs in the coming feeding year.

Big carryover stocks also are on hand. And since the current crop is above foreseeable needs, stocks are expected to be still larger a year from now. A near-record high is in prospect for October 1, 1954.

The price of feed grains will be affected by the support program. Prices of corn are now below the support price of $1.60 for the 1953 crop, and they will continue below during the peak harvest period just ahead. They will average somewhat lower this fall and winter than last year.

Dry weather damaged the hay crop in several areas this year, particularly the Southwest and South. However a good crop was harvested in the North and the United States total supply is slightly larger than last year. In relation to the number of livestock on farms the supply of hay per unit is about the same as last year but somewhat less than in other recent years.

In most of the North hay supplies are ample for the livestock on hand but in much of the South they are scarcely large enough for needs and in some areas are very short.

The supply of feed on much of the Western ranges and pastures is far below the usual needs. Drought conditions have resulted in below average grazing conditions for over a year with parts of the Southwest going into the third year of short range feed. However, Washington, Oregon, Montana and North and South Dakota generally have good range feed except for limited areas. Wheat pasture prospects are poor to fair.

### Byproduct Feed Supply to Nearly Equal High 1953 Level

Output of byproduct feeds may be reduced slightly in the 1953-54 feeding year. Soybean meal will likely fall somewhat short of 1952-53 production. However, cottonseed meal production will be about the same and the total byproduct feed supply in prospect is nearly as large as the high level of the past 2 years.

Prices of byproduct feeds declined from January to September. They will average lower in the 1953-54 feeding season than the past year but may strengthen somewhat from the low level of this fall.

## OUTLOOK FOR BEEF CATTLE FOR 1954

### Comparative Stability May Follow Sharp Changes of Recent Past

Following the sharply expanded slaughter and drastic price decline of the last year and a half the cattle industry may enter a period of more stability in 1954. Slaughter will remain large but prices, while staying below the levels of a year or two ago, may go down no further and average about the same as in 1953.

The year 1953 has been the climax of one of the fastest of all upswings in cattle production. The number of cattle and calves on farms increased from 77 to 94 million between 1949 and 1953. Annual slaughter, after dropping to a low of 26 million head in 1951, rose to 28 million in 1952 then rocketed to 36 million in 1953. Prices of cattle were at all-time highs in 1951 but slumped in early 1952 and broke later in that year and again in 1953. Average prices for all grades of cattle this fall are 45 percent lower than two years ago.

### Cattle Production and Slaughter Now in Balance

Numbers of cattle on farms go up whenever more cattle are raised than are slaughtered. Last year production exceeded slaughter by 6 million head. But in 1953 production and slaughter are about equal. In round numbers the calf crop is probably not much above or below 40 million head. (Official estimates will be released in April 1954). Death losses are expected to be a fraction over 4 million. Thus both net production and slaughter are something like 36 million head. A production-slaughter balance has been reached for the first time in 5 years. Hence the prospect is for inventory numbers next January to be approximately the same as a year before--possibly between 93 and 94 million compared with the 93.7 million on January 1, 1953.

In previous cattle cycles, a halting of an expansion in numbers was followed by a reduction the following year. If this pattern should be repeated cattle and calf slaughter would rise considerably further in 1954, and prices would be depressed even more. This could happen; but it does not seem the most likely prospect. There are several reasons for this view.

Table 2.- Number of cattle and calves on farms January 1, calf crop, and number slaughtered, annual 1945 to date

| Year | Number of cattle and calves on farms January 1: All cattle and calves | For milk: Total | For milk: Cows | Not for milk: Total | Not for milk: Cows | Calf crop | Number slaughtered: Cattle | Number slaughtered: Calves |
|---|---|---|---|---|---|---|---|---|
| | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head |
| 1945 | 85,573 | 40,849 | 27,770 | 44,724 | 16,456 | 35,155 | 21,694 | 13,657 |
| 1946 | 82,235 | 38,549 | 26,521 | 43,686 | 16,408 | 34,643 | 19,824 | 12,176 |
| 1947 | 80,554 | 37,683 | 25,842 | 42,871 | 16,488 | 34,703 | 22,404 | 13,726 |
| 1948 | 77,171 | 36,169 | 24,615 | 41,002 | 16,010 | 33,125 | 19,177 | 12,378 |
| 1949 | 76,830 | 35,270 | 23,862 | 41,560 | 15,919 | 33,748 | 18,765 | 11,398 |
| 1950 | 77,963 | 35,455 | 23,853 | 42,508 | 16,743 | 34,846 | 18,624 | 10,504 |
| 1951 | 82,025 | 35,606 | 23,722 | 46,419 | 18,396 | 35,706 | 17,100 | 3,913 |
| 1952 | 87,844 | 35,637 | 23,369 | 52,207 | 20,590 | 37,926 | 18,668 | 9,408 |
| 1953 1/ | 93,696 | 36,879 | 23,996 | 56,817 | 22,506 | ---- | 2/ 24,000 | 2/ 12,000 |

1/ Preliminary.
2/ Partly forecast.

Table 3.- Number of cattle slaughtered under Federal inspection, by class, related to inventory numbers on farms, January-August, 1944-53

| Year | January-August slaughter under Federal inspection: Steers | Cows | Calves | Number on farms January 1 1/: Steers | Cows | Calves | January-August slaughter as a percentage of January 1 inventories: Steers | Cows | Calves |
|---|---|---|---|---|---|---|---|---|---|
| | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head | Percent | Percent | Percent |
| 1944 | 4,172 | 3,091 | 4,554 | 7,849 | 43,225 | 20,969 | 53.2 | 7.2 | 21.7 |
| 1945 | 4,643 | 3,098 | 4,147 | 8,329 | 44,226 | 19,643 | 55.7 | 7.0 | 21.1 |
| 1946 | 3,786 | 2,426 | 3,581 | 7,727 | 42,929 | 19,080 | 49.0 | 5.7 | 18 8 |
| 1947 | 4,927 | 3,371 | 4,966 | 7,109 | 42,330 | 19,121 | 69.3 | 8.0 | 26.0 |
| 1948 | 3,896 | 3,169 | 4,489 | 6,672 | 40,625 | 18,050 | 58.4 | 7.8 | 24.9 |
| 1949 | 4,908 | 2,456 | 4,235 | 7,270 | 39,731 | 18,114 | 67.5 | 6.2 | 23.4 |
| 1950 | 4,684 | 2,554 | 3,896 | 6,805 | 40,596 | 18,724 | 68.8 | 6.3 | 20.8 |
| 1951 | 4,296 | 2,253 | 3,311 | 6,987 | 42.118 | 20,639 | 61.5 | 5.3 | 16.0 |
| 1952 | 4,739 | 2,250 | 3,163 | 8,332 | 43,959 | 22,185 | 56.9 | 5.1 | 14.3 |
| 1953 2/ | 6,440 | 2,902 | 4,258 | 9,074 | 46,502 | 23,899 | 71.0 | 6.2 | 17.8 |

1/ Beef and milk animals combined.
2/ Preliminary.

Federally inspected slaughter compiled from Market News, Livestock Branch, PMA.

First, data on the kind of cattle and calves being slaughtered in 1953 indicate the productive capacity of the cattle industry is not being reduced. So far, numbers of cows are being maintained or increased. Cattle slaughter in 1953 has been primarily of slaughter steers and heifers. Inventories of these classes had been built up in previous years. As feed was plentiful and prices were high, there was incentive to hold young stock for maximum growth and weight gain, both in range and pasture areas and in feedlots. Marketing was thereby delayed. In 1953 the big marketings began. In addition to mature slaughter animals large numbers of younger stock were sent to slaughter. Declining prices gave less reason to hold cattle as long as previously, and drought forced big marketings from several important producing areas. Also more of the young stock marketed have gone directly to slaughter this year than last because demand has been weaker for cattle to go into feedlots. And finally, a smaller reduction in prices of slaughter heifers than of cows has stimulated slaughtering more heifers than cows. The result has been a very large slaughter of both older and younger steers and heifers and of calves also.

Cow slaughter has been increased too but by a smaller percentage. In relation to the numbers of cows on farms at the beginning of the year, the number slaughtered does not appear large enough to bring a reduction during the year and numbers of cows may be increasing.

Data in table 3 apply. For January through August 36 percent more steers, 44 percent more heifers and 35 percent more calves, but only 29 percent more cows, were slaughtered under Federal inspection than in the same period last year. Steer slaughter is a record and is higher than usual in relation to beginning inventories of steers. Cow slaughter is not as high in proportion to inventories as in several past years.

To repeat, it is the selling off of inventories of slaughter steers and heifers combined with the marketing of animals at a younger age that has halted the uptrend in cattle inventories this year. Changes in the volume of cattle feeding alone contribute significantly to this. Last January the number of cattle on feed was by far a record. Practically all those cattle will have been marketed by the end of the year. But fewer are going into feedlots and the number that will be on feed on January 1 will be moderately smaller.

A second reason for not taking increased cattle slaughter and falling inventories in 1954 for granted is the absence of conditions that would require liquidation of herds. Usually these are either (1) widespread and severe drought or (2) very unfavorable prices, complicated by tight credit, serious distrust of the outlook for prices, or both. A brief review of previous cycles is instructive. The decline in cattle numbers from 1918 to 1928, for example, was brought about by several compelling forces: expansion beyond resources by 1918; an extremely sharp break in 1920-21 in prices not only of cattle but of all farm products; and heavy indebtedness. The next decline in cattle numbers came in 1934-38. It was almost entirely due to extreme drought in 1934 and 1936. The last decline was 1945-49. It was largely a marketing of inventories of slaughter stock built up during price control, together with a contraction in dairy cattle. Numbers of cattle

Table 4.- Market price per 100 pounds for selected classes of meat animals, by years, 1947-52, by months 1953

| Period | Beef steers for slaughter, Chicago: Prime | Beef steers for slaughter, Chicago: Choice | Beef steers for slaughter, Chicago: Good | Beef steers for slaughter, Chicago: Commercial | Beef steers for slaughter, Chicago: Utility | Beef steers for slaughter, Chicago: All grades | Cows, Chicago 1/: Commercial | Cows, Chicago 1/: Utility | Cows, Chicago 1/: Canner and Cutter | Vealers, Chicago: Choice and Prime | Stocker and feeder steers: Kansas City 2/ | Barrows and gilts all weights, Chicago | Lambs: Slaughter, Chicago, Choice and Prime | Lambs: Feeding, Good and Choice, Omaha |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dol. | Dol. | Dol. | Dol. | Dol. | Dol. | Dol. | Dol. | Dol. | Dol. | Dol. | Dol. | Dol. | Dol. |
| 1947 | 30.64 | 26.22 | 21.76 | | 18.04 | 25.83 | 17.84 | 14.26 | 11.48 | 24.98 | 20.81 | 25.21 | 23.59 | 20.76 |
| 1948 | 35.24 | 30.96 | 26.31 | | 22.16 | 30.88 | 22.64 | 19.49 | 16.15 | 29.02 | 25.54 | 23.27 | 25.96 | 22.36 |
| 1949 | 28.65 | 26.07 | 23.17 | | 19.77 | 25.80 | 18.41 | 16.33 | 13.95 | 27.64 | 21.34 | 18.62 | 25.45 | 23.06 |
| 1950 | 32.43 | 29.68 | 26.08 | | 22.86 | 29.35 | 21.48 | 19.36 | 16.48 | 31.08 | 26.67 | 18.39 | 27.30 | 27.52 |
| 1951 | 38.11 | 35.96 | 33.37 | 30.97 | 28.31 | 35.72 | 27.76 | 24.48 | 20.93 | 37.19 | 32.63 | 20.74 | 34.33 | 31.90 |
| 1952 | 35.17 | 33.18 | 30.10 | 26.39 | 22.70 | 32.38 | 21.74 | 19.53 | 16.82 | 34.42 | 25.55 | 18.26 | 27.40 | 22.15 |
| 1953 | | | | | | | | | | | | | | |
| Jan. | 34.12 | 27.84 | 23.97 | 21.13 | 18.11 | 26.04 | 15.93 | 14.72 | 13.08 | 31.12 | 21.73 | 18.31 | 22.04 | 20.52 |
| Feb. | 27.42 | 24.49 | 22.03 | 19.67 | 17.20 | 23.41 | 15.36 | 14.52 | 13.23 | 32.58 | 20.91 | 19.72 | 22.66 | 20.01 |
| Mar. | 24.75 | 22.68 | 20.85 | 19.03 | 17.18 | 21.98 | 15.64 | 14.50 | 12.96 | 28.90 | 21.19 | 20.78 | 23.18 | 20.83 |
| Apr. | 23.58 | 21.99 | 20.37 | 18.68 | 16.52 | 21.50 | 15.34 | 14.11 | 12.39 | 26.28 | 19.91 | 22.29 | 24.12 | --- |
| May | 23.51 | 22.36 | 20.95 | 19.07 | 17.06 | 21.83 | 15.12 | 13.57 | 11.44 | 26.25 | 19.80 | 24.32 | 25.85 | --- |
| June | 22.84 | 22.04 | 20.53 | 17.67 | 14.56 | 21.73 | 14.18 | 12.20 | 9.98 | 21.32 | 15.22 | 25.12 | 3/ 26.62 | --- |
| July | 26.21 | 24.41 | 22.33 | 18.44 | 14.47 | 24.26 | 13.89 | 12.04 | 10.05 | 22.40 | 16.75 | 26.05 | 3/ 26.31 | 4/17.94 |
| Aug. | 26.73 | 25.28 | 21.90 | 17.58 | 13.70 | 24.79 | 12.68 | 10.93 | 9.19 | 22.78 | 15.78 | 24.58 | 3/ 24.00 | 17.78 |
| Sept. | 27.90 | 25.87 | 21.87 | 16.49 | 12.76 | 25.41 | 12.41 | 10.81 | 9.15 | 21.21 | 15.07 | 24.84 | 3/ 20.22 | 15.57 |

1/ Data prior to 1951 are approximate equivalent of present grades.
2/ Average for all weights and grades.
3/ Spring.
4/ 2 weeks average.

Compiled from Market News, Livestock Branch, PMA

for milk were reduced $5\frac{1}{2}$ million head during those 4 years. Numbers of beef cattle were cut back only 3 million, and for beef cows the reduction was a mere $\frac{1}{2}$ million or 3 percent. Insofar as prices contributed to the 1945-49 decline in cattle numbers, it was not the current prices--which were rising--but distrust of future prices that was involved. Many cattlemen thought the prices of those years could not last and should be taken advantage of. 1/

Table 5.- Prices received by farmers for cattle compared with parity and with prices for other farm products, United States, selected periods

(Includes partial series for cover chart)

| Year | United States average price received by farmers for beef cattle, per 100 pounds 1/ | Parity price for beef cattle, per 100 pounds 2/ | Prices received as percentage of parity | Index of prices received by farmers (1910-14=100) | | Beef cattle-all product price ratio |
|---|---|---|---|---|---|---|
| | | | | For beef cattle | For all farm products | |
| | Dollars | Dollars | Percent | | | |
| Averages: | | | | | | |
| 1925-29 | 7.99 | 9.03 | 88 | 144 | 148 | 98 |
| 1930-34 | 5.11 | 7.26 | 69 | 92 | 87 | 105 |
| 1935-39 | 6.56 | 6.89 | 95 | 118 | 107 | 111 |
| By years: | | | | | | |
| 1940 | 7.48 | 6.72 | 111 | 137 | 100 | 137 |
| 1941 | 8.75 | 7.10 | 123 | 160 | 123 | 130 |
| 1942 | 10.60 | 8.08 | 132 | 194 | 158 | 123 |
| 1943 | 12.00 | 8.67 | 139 | 216 | 192 | 112 |
| 1944 | 11.00 | 9.11 | 121 | 196 | 196 | 100 |
| 1945 | 12.20 | 9.27 | 132 | 219 | 206 | 106 |
| 1946 | 14.40 | 10.40 | 139 | 263 | 234 | 112 |
| 1947 | 18.50 | 12.50 | 148 | 335 | 275 | 122 |
| 1948 | 22.40 | 13.40 | 167 | 402 | 285 | 141 |
| 1949 | 19.90 | 13.10 | 152 | 359 | 249 | 144 |
| 1950 | 23.10 | 3/17.40 | 3/133 | 420 | 256 | 164 |
| 1951 | 28.80 | 3/19.70 | 3/146 | 520 | 302 | 172 |
| 1952 | 24.80 | 3/21.00 | 3/118 | 440 | 288 | 153 |
| 1953 4/ | 17.00 | 3/21.10 | 3/81 | 308 | 258 | 119 |

1/ Simple average of 12 monthly prices.
2/ Through 1949, based on index of prices paid, interest and taxes as revised January 1950.
3/ The method of calculating parity price for beef cattle was changed January 1, 1950. By the old formula, parity for 1953 would be about 15.00, and the price received would be 113 percent of parity.
4/ Forecast based on actual prices and trends through September.

1/ For a fuller discussion of conditions that have shaped previous cycles in cattle, see C. A. Burmeister, "Cycles in Cattle Numbers," this Situation March 1949, pp. 9-16.

It may be asked how discouraging present prices may be. Are they low enough to result in a cut-back in cattle production next year?

If prices in October-December are about the same as in September, cattle producers will have received an average price of around $17.00 per 100 pounds for beef cattle this year. This is much below the $24.30 received last year and $28.70 in 1951. While the declines certainly are injurious to producers, it is worthwhile to look at cattle prices of 1953 in relation to other prices.

A $17.00 average price for cattle in 1953 would be about 81 percent of parity. Two years ago cattle prices were 146 percent of parity. All farm prices have averaged about 93 percent of parity so far in 1953.

Cattle prices averaged below parity in most of the 1920's and early 1930's but were above parity from 1940 to 1953. However, all parity prices before 1950 were "old" parity. If the same formula were still used, parity for 1953 would be about $15.00 and prices would average 113 percent of parity.

For a number of years cattle prices have been above the average price of all farm products when compared on a 1910-14 base. The cattle-all-farm product price ratio has been at or above 100 since 1937 (see cover chart). In 1953 the ratio is averaging about 119. However, this ratio has been trending upward over time, and the 1953 ratio is somewhat below a normal trend value for the year. In other words, cattle prices in 1953 are near but a little below an average or normal relationship to all farm prices.

This is a general relationship. Prices of the lower grades of cattle are depressed more than the average of all cattle prices.

Faced with the present low prices for cattle some producers will retrench. Many will find their indebtedness increasing. Nevertheless, a general reduction in cattle numbers and production is not in prospect. The effects of low prices is more likely to appear in ways such as the kind of feeding programs followed and the age and weight at which cattle are marketed.

## Crop Acreage Controls to Help to Hold Cattle Numbers

In 1954 the acreage of wheat will be subject to control by allotments and quotas, the acreage of cotton may be under the same restrictions, and the acreage of corn may be under allotment. Substantial acreages of cropland will be shifted from crops under allotment to other uses. Some will almost certainly be used to produce feed crops for livestock--grain, hay or pasture. The extra feed production will tend to maintain cattle numbers and production at its high level.

In considering whether cattle numbers will go up or down we may note that if cattle numbers show no increase during 1953 the uptrend will have lasted only 4 years. All 5 previous cyclical expansions lasted 6 to 8 years. On the basis of this analogy, a renewed expansion would be expected

in 1954. On the other hand, ordinarily a halting of an uptrend in numbers has been followed by a reduction a year or two later. This pattern would point to a downtrend in 1954. But cattle cycles are never exactly repeated and the most probable trend in 1954 cannot be forecast simply by comparison with previous cycles. More significant are the economic and physical factors that will affect the industry in months ahead.

## Capacity Permits Only a Little Further Expansion

Several reasons have been enumerated for expecting cattle production to hold up well in 1954. At least two factors point in the other direction. The first is that cattle numbers are already very high. Resources are not great enough for much further expansion in much of the country without some changes in long-time land uses. Cattle numbers in January 1953 were almost 10 percent above their previous cyclical high in 1945. Total numbers of forage-consuming livestock are up less, as inventories of sheep, horses and mules are smaller, and they are about 6 percent short of their record highs. However, when numbers of forage-consuming livestock were at previous peaks, pastures and ranges were probably over-grazed. Present numbers, though not at their limit, are probably approaching safe capacity on a sustaining basis.

At any rate, the reserve capacity for cattle is narrow enough that any unfavorable growing conditions would have marked effects. The high cattle inventory creates sensitivity to any dry weather. Droughts have done most damage in years such as 1934, 1952 and 1953 when cattle numbers were high.

## Marginal Producers May Reduce Production

Prices for cattle this year may not be low enough for general contraction in cattle production but they are highly discouraging to marginal producers. A part of the expansion in cattle was made by producers newly entering the cattle industry. Some of these will quit. Other cattlemen whose production costs are high also may have to turn to other enterprises. While these adjustments may not be so great as to reduce cattle numbers in 1954, they will prevent any large expansion.

From all the above factors, reviewed in detail because of their importance, the most likely prospect, assuming no severe outside influences, is for no sizable change in cattle numbers in 1954. A small increase is perhaps as likely as a small decrease. A large change in either direction is not expected.

This appears to be the outlook assuming no drought or sharp business recession. As stated above, high cattle numbers are sensitive to hazards of bad weather and feed conditions. Similarly, when prices have already fallen so much any further price break would have marked consequences.

Droughts in 1952 and 1953 were localized. In both years most of the Northern regions have had good pastures and ranges. A more widespread drought would have only one result--liquidation of cattle herds.

Any sharp further reduction in prices resulting from a decline in employment and consumers' incomes would also be followed by increased marketings of cattle and a reduction in numbers on farms.

## 1954 Inventory to Include Fewer Steers, More Cows

The total cattle inventory is not being changed much during 1953, but its composition is being altered considerably. As the rate of cow slaughter is insufficient to reduce numbers in inventories, more cows are expected to be reported on farms January 1, 1954 than in 1953. Steer numbers, on the other hand, will be smaller this coming January. As the new year begins fewer steers and heifers will be near slaughter weights.

## Cattle and Calf Slaughter in 1954 Likely to Exceed 1953 in Number but not Weight

With more cows on hand, a somewhat larger calf crop will probably be raised in 1954 than in 1953. Slaughter of cattle and calves during the year may about equal the calf crop less death losses. If it does, it will exceed a bit the 36 million head being slaughtered in 1953.

Cattle will be slaughtered at younger age and lighter weight in 1954. More will probably go to slaughter as calves. Fewer fed cattle will be slaughtered, and they will carry a little less weight and finish. Total steer slaughter will be down. But cow slaughter is expected to increase in 1954, as it usually does at this stage of the cattle cycle.

At the lighter weights the total tonnage of beef produced from slaughter in 1954 will probably be a little less than in 1953. However, in all probability it will be greater than in any year except 1953.

## Prices Likely to Be More Stable

If the beef supply levels out at near the 1953 output, changes in prices will be governed chiefly by the strength of demand for meat. As the prospect is for consumer income to average about as high as in 1953, demand for meat also should be about as strong. Prices for beef and cattle therefore may stay at about their 1953 position--failing to improve much but showing stability after the prolonged declines of 1952-53.

The wide range between prices of various kinds of cattle will continue. In the price adjustments of the last two years the lower grades have suffered the worst declines. Price differences between grades became widest after top grades turned upward in early July of this year. In September prices of cattle were down from September 1951 by the following percentages:

| | |
|---|---|
| Choice slaughter steers at Chicago | 29 percent |
| Utility slaughter steers at Chicago | 54 percent |
| Utility slaughter cows at Chicago | 56 percent |
| Good and Choice feeder steers at Kansas City | 52 percent |
| Medium and Common feeder steers at Kansas City | 60 percent |
| Good and Choice feeder steer calves at Kansas City | 55 percent |

Lower grades of cattle have taken the greatest price reduction because their supply has increased most and because demand for replacement cattle is weaker. Breeders are less interested in buying cows now than formerly. Feeders have reduced their bidding prices for feeder stock. They have done so because they are uncertain about future price trends. Another important factor is the smaller decline in prices of feed than of cattle which has made a wider price margin necessary. For several years weight gain on cattle could be added for less cost than its selling price, and little price margin was required. But gain now costs more than it sells for, and a price margin is essential to profits in feeding.

When cattle production increases rapidly the price situation is aggravated wherever outlets are not quickly built up for the increased supplies. This is true nationally for grass beef, and it is true regionally in areas such as the Southeast where production was stepped up most. In some cities, Commercial and Utility beef is now being featured at prices substantially lower than higher grades. Consumer acceptance of these lower grades of retail beef in significant volume contributes to a stronger price structure for grass cattle. In the Southeast and other areas of expansion feeder demand has not been built up as fast as the number of feeder cattle produced.

Seasonal trends in prices of cattle will occur in 1954. Fed cattle prices will probably decline seasonally during the winter and spring. There is a good chance they will average a little higher than this past winter. Prices of stocker cattle will likely rise seasonally this winter to an early spring peak, but will still be below prices this past spring. The usual seasonal decline in prices of all grass cattle will probably follow. With this kind of cattle again in abundant supply, price spreads between the low and top grades may again be wide.

## Prospects Point to Average Profits in Cattle Feeding

Most feeders are buying feeder stock cautiously and at much lower prices than a year ago. Fewer cattle will be fed and less fed beef will be on the market this winter than last. The pork supply competing for the consumer's meat dollar also promises to be smaller than last winter. Prospects thus appear favorable for realizing average profits in cattle feeding this winter.

Last winter, a feeder who bought yearling steers and fed them according to a typical Corn Belt program lost $24.00 per head exclusive of allowances for labor and miscellaneous costs and credits (see this Situation, Aug.-Sept. 1953, p. 10, for detailed data). In suffering this loss, he paid an average of $22.86 per 100 pounds for feeder steers at Kansas City (average for all weights and grades) and $1.44 per bushel for corn, and received $22.70 for Choice fed steers at Chicago.

If corn and soybean meal cost a little less this fall than last and hay a little more, and if a net return of $20.00 per head is allowed for--about an average return--calculations for the same program indicate that the

following prices could be paid for feeder steers for each selling price that may be assumed for fed steers:

| | |
|---|---|
| \$16.00-17.00 | for feeder steers at Kansas City if \$23.00 is received for fed steers |
| \$17.50-18.50 | for feeder steers at Kansas City if \$24.00 is received for fed steers |
| \$19.00-20.00 | for feeder steers at Kansas City if \$25.00 is received for fed steers |
| \$20.50-21.50 | for feeder steers at Kansas City if \$26.00 is received for fed steers |

The week ended October 1 Choice steers sold at Chicago for \$25.69. However, prices are usually seasonally higher in October than in the spring and summer when most fed cattle are sold. In the same week the average price of all feeder steers at Kansas City was \$15.49. Hence, at present prices for feeder cattle, profits can be expected to be above average unless fed cattle prices decline very materially.

In August, 24 percent fewer feeder cattle were shipped to 9 Corn Belt States than in the same month last year. The rate of shipment continued considerably below last year in September. However, more local cattle appear to be going on feed this fall than last. During July to September, 22 percent fewer feeder cattle were shipped into the 3 States of Iowa, Illinois and Nebraska than a year before but the total number placed on feed, including local cattle, was down only 6 percent. Shortages of hay were probably a factor causing more local cattle to go into feedlots early this fall than last.

In the 3 States 3 percent more cattle were on feed October 1 this year than last. All the increase was in cattle that had been on feed more than 6 months. Although weights were lighter this October than last a higher percentage of the cattle on feed October 1 were intended for marketing before January 1.

Shipments of feeder cattle will probably show less reduction from last year in late fall than earlier, as more feeders apparently chose to buy their stock late this year. With more local cattle going on feed, the number of cattle on feed January 1 will probably be only moderately below the 5.8 million on that date last year.

Since fewer cattle went into feedlots in early fall, it is possible that the supply of top grade fed cattle will remain small and the price higher during early months of the year. And if large numbers of cattle move into feedlots later, the price declines may begin later and last longer than usual. These rough indications can be verified by the detailed reports of cattle on feed January 1, due to be released January 13, 1954.

Table 6.- Price comparisons between steers, lambs, hogs and milk, selected periods

| Year | Price per 100 pounds | | | | Ratio of beef steer price to price of | | |
|---|---|---|---|---|---|---|---|
| | Choice slaughter steers, Chicago 1/ | Choice and Prime slaughter lambs, Chicago 2/ | Received by farmers for: Hogs | Received by farmers for: Milk delivered to plants and dealers | Lambs | Hogs | Milk |
| | Dollars | Dollars | Dollars | Dollars | | | |
| 10-year average | | | | | | | |
| 1922-31 | 11.05 | 13.05 | 8.76 | 2.30 | 85 | 126 | 480 |
| 1932-41 | 9.19 | 8.84 | 6.70 | 1.72 | 104 | 137 | 534 |
| 1942-51 | 22.92 | 21.47 | 17.50 | 3.76 | 107 | 131 | 610 |
| By years | | | | | | | |
| 1947 | 26.22 | 23.59 | 24.10 | 4.26 | 111 | 109 | 615 |
| 1948 | 30.96 | 25.96 | 23.10 | 4.87 | 119 | 134 | 636 |
| 1949 | 26.07 | 25.45 | 18.10 | 3.94 | 102 | 144 | 662 |
| 1950 | 29.68 | 27.30 | 18.00 | 3.88 | 109 | 165 | 765 |
| 1951 | 35.96 | 34.33 | 20.00 | 4.58 | 105 | 180 | 782 |
| 1952 | 33.18 | 27.40 | 17.80 | 4.85 | 121 | 186 | 684 |
| 1953 3/ | 24.11 | 23.89 | 21.71 | 4.28 | 101 | 111 | 563 |

1/ Corn Belt beef steers sold out of first hands at Chicago. Called Good grade until 1951.

2/ Formerly called Good and Choice.

3/ Average for first 9 months.

## Intermediate Outlook: Abundance of Beef, Emphasis on Low Cost Production

Until such time as the cattle inventory is reduced or the nation's population growth catches up with it, the beef supply to consumers will continue abundant. Beef consumption per person was lifted from 55 pounds in 1951 to 75 pounds in 1953. It may now enter a plateau at an annual rate of 70 pounds or more. Except in case of economic recession prices will not be depressed more than now, but, lacking the favorableness of 1948-51, they will require greater emphasis on low cost production.

Government Beef
Purchases to Aid
Fall Cattle Market

Government purchases of beef are continuing. The total purchases and quantities programmed for purchase amount to more than 200 million pounds. They are made up of the following approximate quantities:

| Authority and destination for purchase | Approximate quantity purchased or programmed for purchase | Kind of product |
|---|---|---|
| U.S.D.A. section 32 funds for distribution to non-profit school lunch and other eligible institutional outlets. | 180,000,000 lbs. | 120,000,000 lbs. will probably be canned beef and gravy produced from U. S. Utility or lower grade carcasses.<br><br>60,000,000 lbs. will probably be ground beef, hamburger style, produced from U. S. Commercial or better carcasses.<br><br>1,247,000 lbs. 3-way-beef, Good grade. Purchases completed. |
| Earlier order for shipment to Greece and Germany under FOA financing. | 13,000,000 lbs. | 10,000,000 lbs. frozen carcass beef, U. S. Utility grade, for the Greek army.<br><br>2,000,000 lbs. canned beef and gravy to Germany.<br><br>800,000 lbs. canned beef and gravy to Greece. |
| Later order for shipment abroad under FOA financing | Value of $10,000,000. At recent purchase prices this would be around 25,000,000 lbs. | Products not entirely specified. Part at least canned beef. |

Of the total schedule of more than 200 million pounds contracts had been let for about 143 million pounds by mid-October. Of that quantity only 44 million pounds had actually been delivered by that time. The rest is to be delivered in the period through March 1954. However, all the beef for U.S.D.A. contracts must be produced by December 15.

The total prospective purchase of more than 200 million pounds is equivalent to 3/4 to 1 million head of cattle. As only a fraction of the beef programmed for purchase had been delivered by mid-October while the

greatest part must be produced by December 15, probably something over 1/2 million head of cattle will have to be bought in the 2 months beginning mid-October to fill the Government beef contracts. This number is large enough to give a considerable aid to the fall cattle market. The effect will be felt chiefly in medium and lower grade animals.

Table 7.- Pig crops and hog slaughter, United States, 1947-53, with forecast for 1954

| Year | Pig Crop: Spring | Pig Crop: Fall | Pig Crop: Total | Hogs slaughtered 1/ |
|---|---|---|---|---|
| | 1,000 head | 1,000 head | 1,000 head | 1,000 head |
| 1947 | 52,199 | 31,909 | 83,289 | 74,001 |
| 1948 | 50,468 | 33,358 | 83,826 | 70,869 |
| 1949 | 56,969 | 36,275 | 93,244 | 74,997 |
| 1950 | 57,935 | 39,404 | 97,339 | 79,263 |
| 1951 | 62,007 | 39,804 | 101,811 | 85,581 |
| 1952 | 56,357 | 35,355 | 91,712 | 86,712 |
| 1953 | 50,726 | 2/33,500 | 2/84,226 | 3/76,000 |
| 1954 | | | | 4/75,000 |

1/ Total, including farm slaughter, for the calendar year. 2/ Based on farmers' intentions for fall farrowing as reported June 1 and on an average size of litter for the fall crop with allowance for trend. Number rounded to nearest 500,000 head. 3/ Partly forecast. 4/ Forecast.

## OUTLOOK FOR HOGS FOR 1954

### Larger Pig Crops in Prospect for 1954

If farmers carry out their intentions for fall farrowings, only about 84 million pigs will be saved in 1953. This is sharply below the 102 million saved in 1951 and is the smallest annual pig crop since 1948.

Hog production appears to be starting a new expansion. There may be more late fall pigs than last year and the 1954 spring pig crop is expected to be considerably larger than the 1953 crop. The increase is likely to be 5 to 10 percent.

Hog prices advanced last winter, rising about $4.00 per 100 pounds from December to March and nearly $3.00 more by May. All year, prices have been much above last year and the highest ever except for 1947 and 1948. The hog-corn price ratio this fall is averaging about 15. In only 7 of the last 30 years has the fall ratio been higher.

In predicting how great the increase in spring pigs will be, we have to recognize that recently hog producers have raised fewer pigs than would have been expected from the price ratios. Last spring they reduced farrowings more than the hog-corn price ratio would have indicated, and they planned to reduce 1953 fall farrowings despite a high hog-corn price ratio during the spring.

Table 8.- Hog-corn price ratio during fall breeding season, United States and North Central Region, arrayed according to United States ratio, and number of sows farrowing following spring, 1924-53

| Year | Hog-corn price ratio September-December 1/ | | Number of sows farrowing following spring | Increase or decrease from preceding spring in sows farrowing | |
|---|---|---|---|---|---|
| | United States | North Central States | | Number | Percentage |
| | | | 1,000 head | 1,000 head | Percent |
| 1938 | 17.2 | 18.8 | 8,692 | 1,897 | 27.9 |
| 1942 | 17.2 | 18.4 | 12,174 | 2,490 | 25.7 |
| 1948 | 17.1 | 17.5 | 8,820 | 987 | 12.6 |
| 1926 | 16.6 | 17.5 | 9,754 | 706 | 7.8 |
| 1941 | 15.5 | 16.3 | 9,684 | 1,924 | 24.8 |
| 1949 | 15.4 | 15.8 | 9,174 | 354 | 4.0 |
| 1937 | 15.3 | 16.7 | 6,795 | 618 | 10.0 |
| 1953 | 2/15.0 | --- | --- | --- | --- |
| 1946 | 14.8 | 15.6 | 8,548 | 471 | 5.8 |
| 1935 | 14.7 | 15.8 | 6,954 | 1,487 | 27.2 |
| 1932 | 14.2 | 17.4 | 9,122 | 312 | 3.5 |
| 1950 | 13.5 | 13.7 | 9,591 | 417 | 4.5 |
| 1925 | 13.5 | 15.3 | 9,048 | 714 | 8.6 |
| 1945 | 12.7 | 13.5 | 8,077 | -225 | -2.7 |
| 1943 | 12.4 | 13.4 | 9,246 | -2,928 | -24.1 |
| 1944 | 12.3 | 13.4 | 8,302 | -944 | -10.2 |
| 1939 | 12.0 | 13.3 | 8,247 | -445 | -5.1 |
| 1931 | 12.0 | 13.0 | 8,810 | -159 | -1.8 |
| 1952 | 11.3 | 11.8 | 7,449 | -1,044 | -12.3 |
| 1951 | 11.5 | 11.6 | 8,493 | -1,098 | -11.4 |
| 1947 | 11.2 | 11.2 | 7,833 | -715 | -8.4 |
| 1927 | 11.2 | 11.6 | 9,301 | -453 | -4.6 |
| 1928 | 11.2 | 12.2 | 8,854 | -447 | -4.8 |
| 1930 | 11.2 | 12.3 | 8,969 | 691 | 8.3 |
| 1929 | 10.3 | 10.9 | 8,278 | -576 | -6.5 |
| 1940 | 10.0 | 10.6 | 7,760 | -487 | -5.9 |
| 1936 | 9.4 | 9.4 | 6,177 | -777 | -11.2 |
| 1933 | 8.6 | 10.2 | 6,825 | -2,297 | -25.2 |
| 1924 | 8.2 | 8.7 | 8,334 | -1,465 | -15.0 |
| 1934 | 6.8 | 7.0 | 5,467 | -1,358 | -19.9 |

1/ Based on prices received by farmers.

2/ Partly forecast.

This experience is often attributed to the price support and storage program for corn. The conclusion offered is that availability of a support price on corn holds hog production low, because many hog producers prefer the certainty of return from storing their corn to the uncertainty of returns when corn is fed to hogs. This is essentially correct, but misses the exact significance. More precisely, when corn storage loans are available the anticipations of producers regarding future demand and prices for hogs becomes a more important factor in governing the scale of hog production. This will be clear by comparing the situation without and with supports. In the absence of price support for corn, any weakening in producers' confidence for the future prices of hogs shows up--after a short delay--in a lower price for corn than otherwise would prevail. The pessimism does not affect the production of hogs, as there is little use for corn except to feed it. But when a storage program is in operation, any change in anticipations is directly reflected in the number of hogs produced and in the quantity of corn put under or taken out of loan. Weak confidence results in low hog production. It scarcely affects the price of corn, which remains somewhere near the loan rate.

Hog producers have shown a lack of confidence in the future of hog prices. But with prices for hogs reassuringly high all year, a rise in production can be expected. An expansion, once started, often occurs fast. A large increase could take place, but is not likely. An increase of 5 to 10 percent seems the most reasonable forecast.

Hog production is centering more and more in the Corn Belt. In 1953 the number of sows farrowing is being reduced only 5 percent in the North Central States but 22 percent in all other regions. Compared with 5 years ago, the two North Central regions are up 5 and 10 percent but outside regions are down 5 to 41 percent (table 9 ). In 1948 the North Central regions had 71 percent of the Nation's total farrowings. In 1953 they are up to around 78 percent.

Table 9.- Number of sows farrowing, by regions, 1948-53 1/

| | Region | | | | | | United States | North Central as a percentage of United States |
|---|---|---|---|---|---|---|---|---|
| | North Atlantic | North Central: East | North Central: West | South Atlantic | South Central | Western | | |
| | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head | Percent |
| 1948 | 279 | 3,720 | 5,408 | 1,159 | 1,891 | 446 | 12,903 | 70.7 |
| 1949 | 288 | 4,194 | 6,260 | 1,198 | 2,004 | 444 | 14,388 | 72.7 |
| 1950 | 264 | 4,524 | 6,751 | 1,192 | 1,972 | 394 | 15,097 | 74.7 |
| 1951 | 279 | 4,616 | 7,092 | 1,293 | 1,905 | 438 | 15,623 | 74.9 |
| 1952 | 275 | 4,237 | 6,065 | 1,287 | 1,588 | 359 | 13,811 | 74.6 |
| 1953 2/ | 244 | 4,080 | 5,678 | 1,101 | 1,137 | 263 | 12,503 | 78.0 |
| | Percent | Percent | Percent | Percent | Percent | Percent | Percent | |
| 1953 as a percentage of 1948 | 87.5 | 109.7 | 105.0 | 95.0 | 60.1 | 59.0 | 96.9 | |

1/ Sum of spring and fall farrowings.
2/ Preliminary. Fall farrowings are number indicated from breeding intentions as of June 1, 1953.

Hog slaughter will continue rather small in 1954. It may be about the same as in 1953. Prices for hogs will therefore continue higher than a year or two ago, on the average. However, considerable changes will take place during the year. In the first few months and perhaps to about mid-year the hog slaughter rate will be below 1953. The pork supply will be smaller and hog prices comparatively high. Prices will likely stay up during the summer period when prices are high seasonally. By fall, though, the rate of hog slaughter will almost surely be above a year before. Prices for hogs will probably decline more than usual from their summer highs and will be lower than at the same time of 1953. This will begin a period of adjustment of hog prices from their higher levels of 1953 and--as now expected--the first half of 1954.

While lower than in 1953, hog prices in late 1954 are not likely to be depressed greatly. Their ratio to the price of corn may be average or better. Prospects appear favorable for good returns from raising hogs for marketing in 1954.

The outlook for hog slaughter to move from below to above year-earlier levels at about mid-year of 1954 is based on the possibility of increased farrowings in the late fall of 1953. Hog producers reported on June 1 that they intended to reduce total fall season farrowings 5 percent. Although only scattered data on actual farrowings are yet available, it is highly probable that the number of sows farrowed was equal to or above last year by mid-fall.

Intermediate Outlook:
More Hogs than in 1953,
Fewer than in 1951

In response to current relatively high prices, hog production can be expected to continue upward for at least a year or more. The annual pig crop will rise considerably above 1953. Just what will be the trend after 1954 can hardly be foreseen, first because there is little background experience on what happens to hogs when corn prices are supported year after year, and second because the form or level of price supports on corn could be changed. The present law for support at 90 percent of parity extends through the 1954 crop. It is possible that hog production will stay comparatively low, and hog prices fairly high, so long as corn price supports are not altered much. But it is also possible that hog producers, despite the stabilizing influence of less variable corn prices than in past years, will once again over-expand, bringing sharply reduced prices about 1955.

In either case, hog production will not return to the 1951 volume of 102 million pigs. The continued large beef supply in prospect will likely prevent that much increase. The only exception would be if there were to be no price support on corn or only token support at very low prices. In this case hog production would once again fluctuate with year to year variations in the size of the corn crop.

# OUTLOOK FOR SHEEP AND LAMBS IN 1954

## Lamb Crop Up, but Sheep Inventories not Increasing

About 7 percent more lambs were saved in 1953 than in 1952. The 1953 crop was the largest in 6 years. But it was small in comparison with previous years, and it is not resulting in any increase in inventories of sheep and lambs on farms. Instead, it is making possible a larger slaughter of sheep and lambs than in any year since 1948.

Sheep numbers decreased steadily from 1942 to 1950. Since 1950 a new expansion has been started several times but none has been sustained. Reductions in Texas in 1951 and 1952, largely due to drought, have held down United States total numbers. In the mountain West, numbers have risen moderately since 1950 and in the Eastern States the rise has been fairly sharp.

Total sheep and lamb slaughter in 1953 will approximate 16 million head, 12 percent more than the 14.3 million of 1952. The slaughter rate is large enough to cause a small reduction in inventories on January 1, 1954. Slaughter has included many more lambs but only a few more sheep than last year. It thus appears that older breeding flocks are being retained but are not being built up much by adding new lambs.

Table 10.- Sheep and lambs on farms and reanches January 1, lamb crop, number slaughtered and wool production, United States, 1946-53

| Year | Number January 1 | | | Lamb crop | Total slaughter 1/ | Shorn wool production |
|---|---|---|---|---|---|---|
| | Stock sheep | On feed | Total | | | |
| | 1,000 head | 1,000 head | 1,000 head | 1,000 head | 1,000 head | Million pounds |
| 1946 | 35,525 | 6,837 | 42,362 | 24,489 | 22,788 | 281 |
| 1947 | 31,805 | 5,693 | 37,498 | 21,858 | 18,706 | 251 |
| 1948 | 29,486 | 4,851 | 34,337 | 19,594 | 17,371 | 232 |
| 1949 | 26,940 | 4,003 | 30,943 | 18,298 | 13,780 | 213 |
| 1950 | 26,182 | 3,644 | 29,826 | 17,905 | 13,244 | 215 |
| 1951 | 27,253 | 3,382 | 30,635 | 17,989 | 11,418 | 226 |
| 1952 | 28,050 | 4,038 | 32,088 | 18,479 | 14,302 | 232 |
| 1953 | 27,857 | 3,754 | 31,611 | 19,702 | 2/16,000 | 229 |
| 1954 | | | | | 3/14,500 | |

1/ Total slaughter including farm.

2/ Partly forecast.

3/ Forecast.

## Slaughter to be Smaller in 1954

With no pronounced trend taking place in sheep production, the rate of slaughter in 1954 is expected to be moderately but not greatly below 1953.

There may be less lamb feeding and a smaller slaughter of fed lambs this winter than last. Movement of feeder lambs to Corn Belt areas has been below last fall. Moreover, there seems little possibility of a larger volume of feeding on wheat pastures. October 1 prospects in the areas that usually pasture considerable numbers of lambs were poor to fair. However, early rains would increase the number of lambs wheat pastures could support.

Low profits in lamb feeding the last two seasons are one factor holding back feeding operations this fall. But prospects for profits in feeding lambs, as in feeding cattle, seem rather promising--and for similar reasons. Prices of feeder lambs are low enough to afford adequate price margins in feeding provided prices of slaughter lambs are fairly strong this winter.

Prices of lambs in 1954 will be affected, as always, by the supply and price of beef. If the expectation for price stability in beef and cattle is realized, lamb prices also will average as high as in 1953. Lamb prices have been in a higher relation to cattle prices in 1953 than in several years (table 6). They are likely to retain this above-average relationship.

Prices of wool in 1954 will again be mainly determined by the support price, and will probably average not greatly different from the 1953 price, which from January to September averaged 53.2 cents per pound.

## Intermediate Outlook: Not Much Change

There is little prospect that sheep and lamb production will expand greatly in the next few years. It will be an acceptable sideline enterprise on many farms, and will out-compete cattle on some pastures and ranges in the South and West, but areas of intensive sheep production will remain limited. The industry will hardly regain its onetime prominence in a country with as fast a growth in population and industrialization as the United States.

Lamb prices may continue above previous relationships with the price of cattle, and prices of lambs and wool may continue to show somewhat less variability than cattle prices.

Selected Price Statistics for Meat Animals 1/

| Item | Unit | January-August 1952 | January-August 1953 | August 1952 | 1953 July | 1953 August | 1953 September |
|---|---|---|---|---|---|---|---|
| Cattle and calves | | | | | | | |
| Beef steers, slaughter 2/ | Dollars per | | | | | | |
| Chicago, Prime | 100 pounds | 36.06 | 26.14 | 34.46 | 26.21 | 26.73 | 27.90 |
| Choice | do. | 33.97 | 23.89 | 33.02 | 24.41 | 25.28 | 25.87 |
| Good | do. | 31.22 | 21.62 | 29.87 | 22.33 | 21.90 | 21.87 |
| Commercial | do. | 28.24 | 18.91 | 26.59 | 18.44 | 17.58 | 16.49 |
| Utility | do. | 25.27 | 16.10 | 22.32 | 14.47 | 13.70 | 12.76 |
| All grades | do. | 33.17 | 23.19 | 32.52 | 24.26 | 24.79 | 25.41 |
| Omaha, all grades | do. | 31.71 | 21.80 | 31.42 | 23.37 | 23.33 | 23.60 |
| Sioux City, all grades | do. | 31.63 | 21.70 | 31.35 | 23.42 | 23.69 | 24.18 |
| Cows, Chicago 2/ | | | | | | | |
| Commercial | do. | 23.74 | 14.77 | 21.27 | 13.89 | 12.68 | 12.41 |
| Utility | do. | 21.48 | 13.32 | 19.03 | 12.04 | 10.93 | 10.81 |
| Canner and Cutter | do. | 18.57 | 11.54 | 16.25 | 10.05 | 9.19 | 9.15 |
| Vealers, Choice and Prime, Chicago | do. | 35.87 | 26.45 | 32.40 | 22.40 | 22.78 | 21.21 |
| Stocker and feeder steers, Kansas City | do. | 29.53 | 18.91 | 25.17 | 16.75 | 15.78 | 15.07 |
| Price received by farmers | | | | | | | |
| Beef cattle | do. | 26.76 | 17.59 | 24.60 | 17.30 | 16.30 | 15.80 |
| Veal calves | do. | 29.74 | 19.45 | 26.20 | 17.00 | 16.70 | 15.50 |
| Hogs | | | | | | | |
| Barrows and gilts | | | | | | | |
| Chicago | | | | | | | |
| 160-180 pounds | do. | 18.79 | 21.68 | 20.69 | 24.50 | 22.93 | 23.32 |
| 180-200 pounds | do. | 19.67 | 22.83 | 21.90 | 26.27 | 24.30 | 24.49 |
| 200-220 pounds | do. | 19.77 | 22.95 | 22.24 | 26.41 | 24.80 | 24.89 |
| 220-240 pounds | do. | 19.54 | 22.89 | 22.19 | 26.33 | 24.89 | 24.99 |
| 240-270 pounds | do. | 19.08 | 22.67 | 21.91 | 25.91 | 24.86 | 25.04 |
| 270-300 pounds | do. | 18.49 | 22.20 | 21.21 | 25.07 | 24.43 | --- |
| All weights | do. | 19.14 | 22.65 | 21.87 | 26.05 | 24.58 | 24.84 |
| Eight markets 3/ | do. | 18.99 | 22.49 | 21.90 | 25.92 | 24.67 | 24.76 |
| Sows, Chicago | do. | 16.54 | 19.68 | 18.44 | 21.37 | 21.48 | 22.85 |
| Price received by farmers | do. | 18.29 | 21.45 | 20.60 | 24.20 | 23.60 | 23.80 |
| Hog-corn price ratio 4/ | | | | | | | |
| Chicago, barrows and gilts | do. | 10.5 | 14.3 | 12.1 | 16.4 | 15.2 | 14.9 |
| Price received by farmers, all hogs | do. | 10.8 | 14.6 | 11.9 | 16.5 | 15.9 | 15.9 |
| Sheep and lambs | | | | | | | |
| Sheep | | | | | | | |
| Slaughter ewes, Good and Choice, Chicago | do. | 12.17 | 7.76 | 9.33 | 5.75 | 5.75 | 5.68 |
| Price received by farmers | do. | 12.09 | 7.68 | 9.42 | 6.26 | 6.39 | 6.12 |
| Lambs | | | | | | | |
| Slaughter, Choice and Prime, Chicago | do. | 29.07 | 24.35 | 30.03 | 26.31 | 24.00 | 20.22 |
| Feeding, Good and Choice, Omaha | do. | --- | --- | 24.63 | 17.94 | 17.78 | 15.57 |
| Price received by farmers | do. | 26.25 | 21.02 | 25.50 | 21.90 | 20.10 | 17.70 |
| All meat animals | | | | | | | |
| Index number price received by farmers (1910-14=100) | | 377 | 306 | 372 | 318 | 305 | 299 |
| Meat | | | | | | | |
| Wholesale, Chicago | Dollars per | | | | | | |
| Steer beef carcass, Choice, 500-600 pounds 2/ | 100 pounds | 54.69 | 39.25 | 54.56 | 40.18 | 41.06 | 42.22 |
| Lamb carcass, Choice, 40-50 pounds | do. | 57.31 | 46.42 | 60.50 | 52.52 | 46.32 | 42.83 |
| Composite hog products, including lard | | | | | | | |
| 72.84 pounds fresh | Dollars | 20.76 | 23.74 | 23.25 | 26.67 | 26.19 | 25.65 |
| Average per 100 pounds | do. | 28.50 | 32.59 | 31.92 | 36.61 | 35.96 | 35.21 |
| 71.32 pounds fresh and cured | do. | 24.24 | 27.27 | 27.60 | 30.05 | 30.66 | 29.92 |
| Average per 100 pounds | do. | 33.99 | 38.24 | 38.70 | 42.13 | 42.99 | 41.95 |
| Retail, United States average | Cents | | | | | | |
| Beef, Choice grade | per pound | 90.0 | 69.6 | 88.7 | 65.8 | 71.0 | |
| Pork, excluding lard | do. | 48.9 | 53.6 | 54.0 | 59.0 | 58.8 | |
| Index number meat prices (BLS) | | | | | | | |
| Wholesale (1947-49=100) | | 113.2 | 93.5 | 115.2 | 96.9 | 92.4 | |

1/ Annual data for most series published in Statistical Appendix to this Situation, January-February 1953
2/ Grade names as used beginning January 1951.
3/ Chicago, St. Louis N. S. Y., Kansas City, Omaha, Sioux City, S. St. Joseph, S. St. Paul, and Indianapolis.
4/ Number bushels of corn equivalent in value to 100 pounds of live hogs.

Selected marketing, slaughter and stocks statistics for meat animals and meats 1/

| Item | Unit | January-August 1952 | January-August 1953 | August 1952 | 1953 July | 1953 August | 1953 September |
|---|---|---|---|---|---|---|---|
| Meat animal marketings | | | | | | | |
| Index number (1935-39=100) | | 142 | 145 | 135 | 134 | 147 | |
| Stocker and feeder shipments to 9 Corn Belt States | 1,000 | | | | | | |
| Cattle and calves | head | 1,492 | 1,383 | 347 | 211 | 265 | |
| Sheep and lambs | do. | 1,528 | 1,129 | 507 | 136 | 291 | |
| Slaughter under Federal inspection | | | | | | | |
| Number slaughtered | | | | | | | |
| Cattle | do. | 8,157 | 10,942 | 1,135 | 1,498 | 1,494 | |
| Calves | do. | 3,164 | 4,258 | 426 | 616 | 602 | |
| Sheep and lambs | do. | 7,737 | 9,002 | 1,020 | 1,108 | 1,158 | |
| Hogs | do. | 39,646 | 34,025 | 3,592 | 3,276 | 3,396 | |
| Percentage sows | Percent | 12 | 12 | 26 | 30 | 20 | |
| Average live weight per head | | | | | | | |
| Cattle | Pounds | 998 | 978 | 974 | 954 | 946 | |
| Calves | do. | 209 | 221 | 258 | 245 | 259 | |
| Sheep and lambs | do. | 99 | 96 | 93 | 90 | 91 | |
| Hogs | do. | 246 | 242 | 254 | 263 | 238 | |
| Average production | | | | | | | |
| Beef, per head | do. | 557 | 547 | 539 | 530 | 519 | |
| Veal, per head | do. | 118 | 125 | 143 | 138 | 144 | |
| Lamb and mutton, per head | do. | 47 | 46 | 43 | 43 | 43 | |
| Pork, per head 2/ | do. | 136 | 137 | 141 | 150 | 139 | |
| Pork, per 100 pounds live weight 2/ | do. | 55 | 57 | 56 | 57 | 58 | |
| Lard, per head | do. | 37 | 35 | 36 | 37 | 31 | |
| Lard, per 100 pounds live weight | do. | 15 | 14 | 14 | 14 | 13 | |
| Total production | Million | | | | | | |
| Beef | pounds | 4,523 | 5,964 | 609 | 793 | 774 | |
| Veal | do. | 373 | 529 | 61 | 85 | 87 | |
| Lamb and mutton | do. | 363 | 413 | 44 | 47 | 49 | |
| Pork 2/ | do. | 5,374 | 4,659 | 507 | 489 | 470 | |
| Lard | do. | 1,470 | 1,188 | 128 | 120 | 106 | |
| Total commercial slaughter 3/ | | | | | | | |
| Number slaughtered | 1,000 | | | | | | |
| Cattle | head | 11,145 | 14,732 | 1,539 | 2,039 | 2,024 | |
| Calves | do. | 5,444 | 7,175 | 722 | 1,014 | 1,021 | |
| Sheep and lambs | do. | 8,490 | 10,013 | 1,142 | 1,259 | 1,309 | |
| Hogs | do. | 49,458 | 42,680 | 4,642 | 4,110 | 4,279 | |
| Total production | Million | | | | | | |
| Beef | pounds | 5,938 | 7,710 | 793 | 1,036 | 1,008 | |
| Veal | do. | 636 | 887 | 100 | 138 | 143 | |
| Lamb and mutton | do. | 394 | 458 | 49 | 54 | 56 | |
| Pork 2/ | do. | 6,591 | 5,757 | 637 | 597 | 582 | |
| Lard | do. | 1,718 | 1,395 | 155 | 140 | 126 | |
| Cold storage stocks first of month | | | | | | | |
| Beef | do. | --- | --- | 161 | 177 | 151 | 143 |
| Veal | do. | --- | --- | 10 | 14 | 13 | 13 |
| Lamb and mutton | do. | --- | --- | 12 | 13 | 10 | 9 |
| Pork | do. | --- | --- | 543 | 414 | 351 | 268 |
| Total meat and meat products 4/ | do. | --- | --- | 850 | 749 | 638 | 538 |

1/ Annual data for most series published in Statistical Appendix to this Situation, January-February 1953.
2/ Excludes lard.
3/ Federally inspected, and other wholesale and retail.
4/ Includes stocks of sausage and sausage room products, canned meats and canned meat products, and edible offals, in addition to the four meats listed.